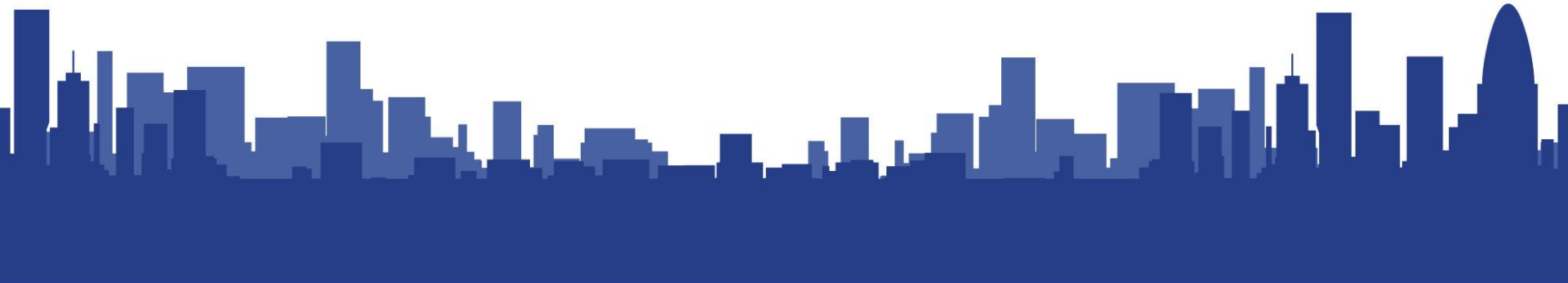# Tying Energy Efficiency to Compensation and Performance Reviews

September 3, 2013
3:00 – 4:00 PM EDT

Agenda

▸ Welcome, Introductions, and Overview

▸ Data Update and Certification Scorecard (Nicholas Stolatis TIAA-CREF)

▸ Linking Energy Efficiency to Performance-Based Compensation (Walt Brockway, Alcoa)

▸ HEI's Energy Looking Glass Dashboard (Bob Holesko, HEI Hotels)

▸ Additional Resources

▸ Question & Answer Session

Introduction and Overview

▶ Many organizations offer a variety of incentives for meeting sales targets or other corporate goals

- Recognition in annual reviews and compensation increases

- Bonuses

- Free vacations or other prizes

▶ Why not recognize employees for their role in achieving energy efficiency improvements and other sustainability goals?

- Further establish efficiency as a core business strategy

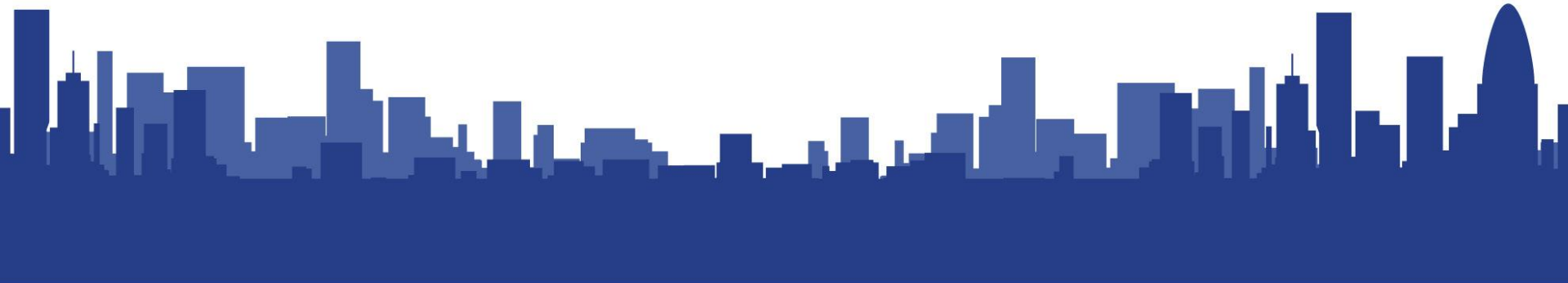▶ Many companies are already doing this!

- Today, we'll show you how

Today's Presenters

Name		Organization
Nicholas Stolatis		TIAA-CREF
Walt Brockway		Alcoa
Bob Holesko		HEI Hotels and Resorts

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▶ **ORGANIZATION TYPE**

– Commercial Property Management

▶ **BARRIER**

– A lack of visibility into the energy and water usage of the third-party-managed assets

▶ **SOLUTION**

– Adding sustainability metrics to the existing property governance scorecard, part of a formal performance assessment of third-party property managers

▶ **OUTCOME**

– TIAA-CREF can better understand resource costs, estimate savings associated with improvement projects, and verify that projected results are achieved

TIAA-CREF's Model: Data Update and Certification Scorecard

▶ **POLICIES**

– Established energy and water usage tracking as a key priority

– Made energy and water efficiency achievements part of the property manager annual review process

▶ **PROCESS**

– Scorecards generated quarterly, based on review of data in a Portfolio Manager master account

– Energy and water tracking judged by how well data have been kept current

– Also tracking the number of ENERGY STAR-eligible buildings that have/have not applied for certification

– Variances allowed on a case-by-case basis

– Relative performance to peers communicated across all participating property management firms, to drive healthy competition.

Energy Efficiency & Renewable Energy

TIAA-CREF Global Real Estate Sustainability Initiative (GRESI)

Data Update and Certification Scorecard

As of Month XX, 20XX. Label points are based on data from QX 20XX.

ID #	Name	Portfolio	Average Adjusted Energy Points*	Average Adjusted Water Points*	Average Certification Points**	Utility Notes
0001	Sample Property 1	Office				
0002	Sample Property 2	Retail				
0003	Sample Property 3	Office			NA	
0004	Sample Property 4	MF				
0005	Sample Property 5	Office				
0006	Sample Property 6	MF			NA	
0007	Sample Property 7	Office				
0008	Sample Property 8	Office				
0009	Sample Property 9	Office				
0010	Sample Property 10	Office				

TIAA-CREF's Model: Data Update and Certification Scorecard

▸ **MEASURING SUCCESS**

- Each quarter, individual properties receive scores that reflect their energy tracking, water tracking, and certification efforts
- Overall success of the initiative is measured by the percentage of TIAA-CREF's properties that are up-to-date in Portfolio Manager

OUTCOMES

- Fewer than 6 months to update scorecard, secure buy-in, and launch program

- Percentage of buildings with current energy and water data has increased from 55% to 90% (energy) and 80% (water)

- Increased attention to benchmarking allows better reporting and analytics at the property and portfolio level, as well as more opportunities for property managers to document achievements and identify opportunities

Linking Energy Efficiency to Performance-Based Compensation

Walt Brockway
Alcoa

ALCOA

▸ **ORGANIZATION TYPE**

– Primary and fabricated aluminum manufacturer

▸ **BARRIER**

– Energy performance improvement crowded out by other business priorities

▸ **SOLUTION**

– Link energy efficiency achievement to performance based compensation for Alcoa business leaders

▸ **OUTCOME**

– Alcoa businesses are increasing their focus on energy efficiency and steadily reducing energy intensity to meet long-term sustainability goals

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Environmental Focus Area – CO_2 and Energy

Issue	New 2030 Goal (from a baseline of 2005)	New 2020 Interim Goal
CO2 in Primary Operations	Reduce 2005 <u>total</u> CO2e <u>intensity</u> (direct & indirect) of Primary Ops by **30%** (mining/refining/smelting)	**20%**
Energy Intensity in Primary operations	Reduce 2005 Primary Ops energy intensity by **15%**	**10%**
Energy Intensity in all other Businesses	Reduce 2005 energy Intensity by **30%** for all other businesses	**20%**

Alcoa's Playbook: Linking Energy Efficiency to Performance-Based Compensation

▸ POLICIES

– Implemented CEO-championed policy linking energy performance and compensation to improve corporate energy performance

– Performance based pay calculation for business leaders now includes sustainability metrics for energy efficiency, incentivizing employees to set and achieve energy reduction targets

▸ PROCESS

– Set corporate and business level energy targets – Year on Year set in December

– Each business appoints an energy leader with direct responsibility for promoting initiatives and meeting targets at the plant level

– Business units are given autonomy to determine the extent to which energy efficiency performance will contribute to incentive pay of employees within that business.

– Set up energy spend reduction team to review initiatives monthly using a common project implementation tool

– Track progress through monthly energy intensity calculations communicated to energy and business leaders

Alcoa's Playbook: Linking Energy Efficiency to Performance-Based Compensation

▶ **TOOLS & RESOURCES**
- Global energy database containing utility information from all invoices when received
- Stand-alone energy services group provides expert resources for identifying and executing energy savings
- Sustainability scorecards used to align targets with business strategy
- Business-developed roadmaps to lay out steps necessary year-by-year to realize long term objectives

▶ **MEASURING SUCCESS**
- Rigorous computation of energy intensity including baseline year level within each business
- Calculations reported to central database
- Overall success measured by achievement of reduction targets, progress communicated to all levels of management

▶ **OUTCOMES**
- Increased attention to energy saving projects with an estimated 50% increase in energy cost reduction activities
- In 2012, the Global Primary Products business reduced its total energy intensity 2.6% against its 2005 baseline; the Global Rolled Products business achieved a 14.4% decline compared to baseline; and Engineered Products and Solutions realized a 8.4% decrease

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GPP: Environmental & Sustainability Scorecard (reviewed monthly)

Energy Intensity Reduction (GJ/ton)

GHG Emission Intensity (mtCO2e/ton)

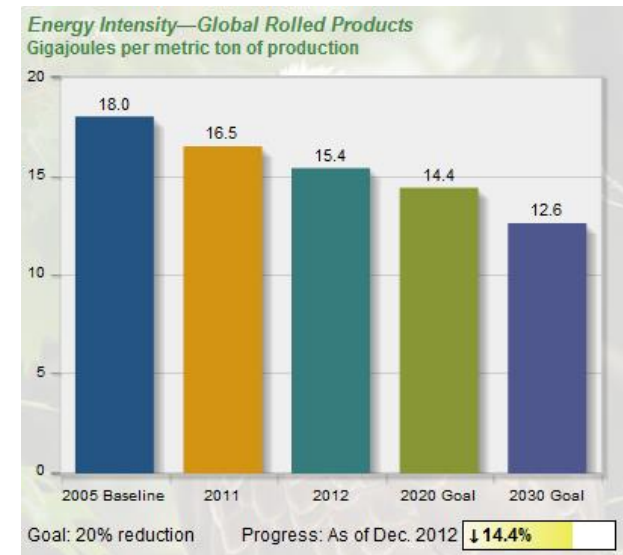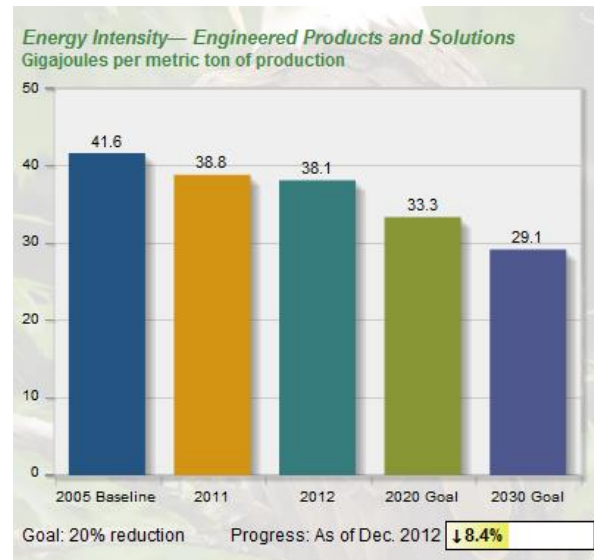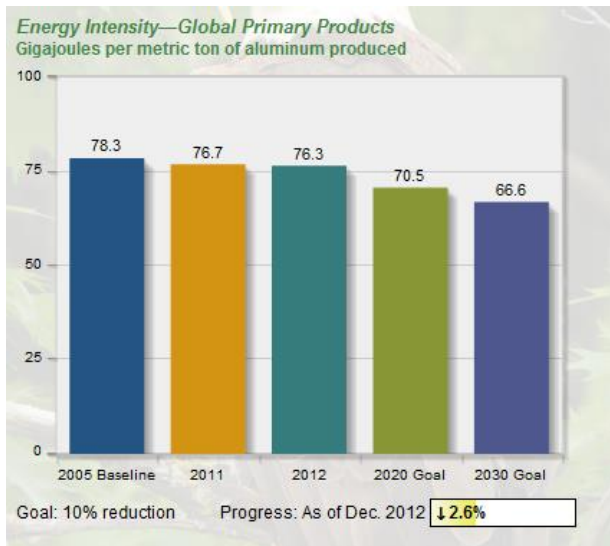**Fresh Water Use Intensity Meters^3/ton**

Landfilled Waste Reduction Absolute k tons

Key environmental initiatives (to 2020)

Progress Toward 2020 Goals

Energy Intensity—Global Primary Products
Gigajoules per metric ton of aluminum produced

78.3, 76.7, 76.3, 70.5, 66.6
(2005 Baseline, 2011, 2012, 2020 Goal, 2030 Goal)
Goal: 10% reduction   Progress: As of Dec. 2012 ↓2.6%

Energy Intensity— Engineered Products and Solutions
Gigajoules per metric ton of production

41.6, 38.8, 38.1, 33.3, 29.1
(2005 Baseline, 2011, 2012, 2020 Goal, 2030 Goal)
Goal: 20% reduction   Progress: As of Dec. 2012 ↓8.4%

Energy Intensity—Global Rolled Products
Gigajoules per metric ton of production

18.0, 16.5, 15.4, 14.4, 12.6
(2005 Baseline, 2011, 2012, 2020 Goal, 2030 Goal)
Goal: 20% reduction   Progress: As of Dec. 2012 ↓14.4%

HEI's Energy Looking Glass Dashboard

Bob Holesko
HEI Hotels and Resorts

▶ **ORGANIZATION TYPE**

– Hospitality

▶ **BARRIER**

– Lack of centralized information on energy, other key data

▶ **SOLUTION**

– Energy management tracking tool

▶ **OUTCOME**

– HEI is now able to recognize areas for improvement and realize savings

HEI's Model: Energy Looking Glass Dashboard

▶ **POLICIES**
- – Created tool to track impacts of energy efficiency initiatives and participation in best practices at each hotel
- – Compared energy usage trends to changes in hotel occupancy rate and weather
- – Made to be Excel based, centralized, and user-friendly

▶ **PROCESS**
- – Outlined data that must be collected and updated regularly
- – Energy use, weather, occupancy rate, and capital project dates used as variables in regression analysis to establish daily consumption thresholds
- – Staff trained through tutorials and BUZZ committees to coordinate and share ideas
- – Annual tool revision process established to incorporate feedback

▶ **OUTREACH**
- – Interactive tool design that is highly visual and expresses energy savings in terms of environmental impact
- – Incentivized staff through TV give away program and quarterly recognition gift card awards
- – Executive level recognition of staff through letters of appreciation, features on HEI website, and photos on Wall of Fame

HEI's Model: Energy Looking Glass Dashboard

▸ **MEASURING SUCCESS**

– Tool displays daily energy consumption as percentage difference and dollars saved or spent and provides month to date/previous year comparisons

– $9 million in energy projects completed between 2005-2008 delivered a 2.79 ROI

– Over $3 million saved per year

– 14.5% energy savings during this period

▸ **OUTCOMES**

– Strengthened and supported management commitment to energy program

– Freed up capital funds for additional energy efficiency measures

– Tool being "Reviewed, Revised, & Refreshed" annually with Chief Engineer input

Hilton Long Beach

ENERGY **Looking Glass®** (v30.1)

DAILY ENERGY CONSUMPTION REPORT
Thursday, August 01, 2013

YOUR PROPERTY

July 31, 2013

Cooling Degree Days	5.0
Heating Degree Days	0.0
OR - Yesterday PM	398
OR - Yesterday AM	398

ENERGY STAR AWARD 2013
PARTNER OF THE YEAR
Sustained Excellence

Energy Conservation Committee
Jeff-Chief
Nancy-HSKP
Manny-BQT
Anwar-Chef

Property Characteristics
Sq. Ft.: 406,634   Yr Built: 1991

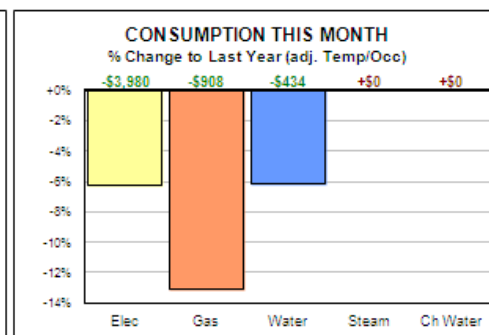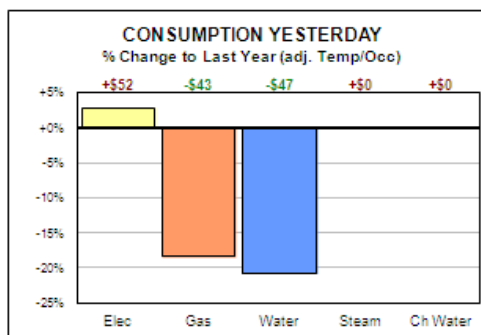Orig Rating: **29 (10/08) RED**
Curr Rating: 61 (7/12)   SILVER

Top 50% of peer group

Approx 2010 Carbon Footprint (metric tons of CO_2 equivalent): 2,006.3

CONSUMPTION YESTERDAY
% Change to Last Year (adj. Temp/Occ)

CONSUMPTION THIS MONTH
% Change to Last Year (adj. Temp/Occ)

July: Cooling Peak

YOUR ENERGY CONSUMPTION

UTILITY (unit)	YESTERDAY Units Consumed	Est Cost	LAST YEAR (adj.*) Units Consumed	CHANGE Units	% Chg	Est Cost	MONTH-TO-DATE Units Consumed	Est Cost	LAST YEAR (adj.*) Units Consumed	CHANGE Units	% Chg	Est Cost	EXP MONTH-END VAR TO BUDGET $	Units
ELECTRICITY (kWh)	14,144	$1,876	13,751	+393	+2.9%	+$52	450,064	$59,686	480,077	-30,013	-6.3%	-$3,980	-$18,000	-20,751
GAS (therm)	251	$191	308	-56	-18.3%	-$43	7,951	$6,026	9,148	-1,198	-13.1%	-$908	+$1,137	-819
WATER (kGal)	41.1	$176	52.0	-10.9	-20.9%	-$47	1,531.3	$6,558	1,632.6	-101.3	-6.2%	-$434	+$124	-10
STEAM (therm)	0	$0	0	+0	+0.0%	+$0	0	$0	0	+0	+0.0%	+$0	+$0	0
CHILLED WATER (kWh)	0	$0	0	+0	+0.0%	+$0	0	$0	0	+0	+0.0%	+$0	+$0	0
TOTAL (MM BTU)		$2,243			-1.7%	-$37		$72,270			-7.4%	-$5,322	-$16,739	

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Sheraton Music City

Le Meridien San Francisco

Better Buildings Alliance

Le Meridien Philadelphia

Marriott Detroit Airport

Better Buildings Alliance

HEI's "Going Green Wall of Fame"

Better Buildings Alliance

Additional Resources
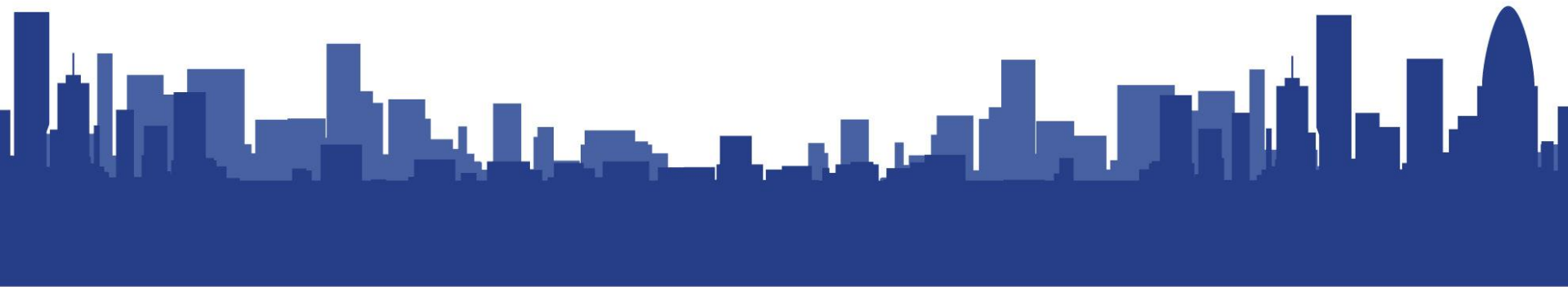
BBC Implementation Models

▸ TIAA-CREF: Data Update and Certification Scorecard

▸ Alcoa: Linking Energy Efficiency to Performance-Based Compensation

▸ HEI Hotels & Resorts: Energy Looking Glass Dashboard

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Question & Answer Session
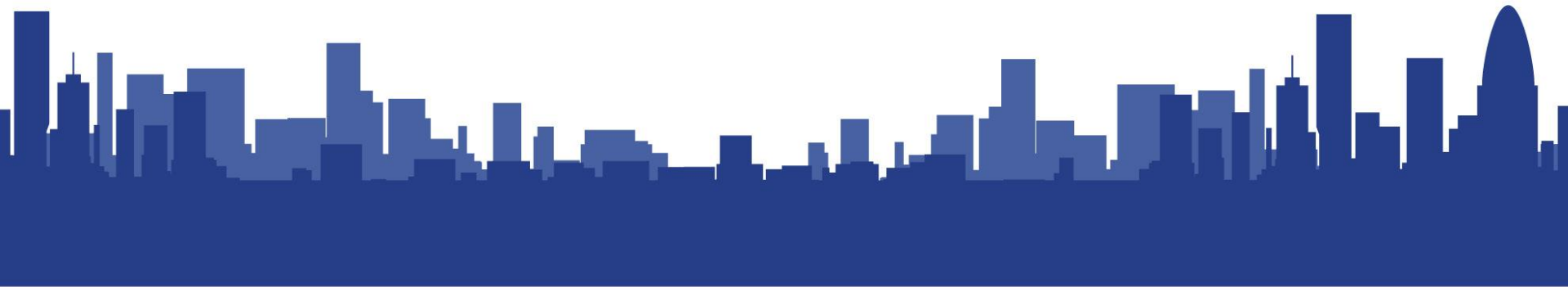
Join Us for Upcoming Webinars

Speaking the CFO Language: Building the Case for Energy Efficiency with Financial Decision-makers
Tuesday, October 1, 2013
3:00-4:00 PM EST

Wendell Brase, Vice Chancellor for Administrative and Business Services, University of California at Irvine
Marcy Schaefer, Sustainability Project Manager, Kohl's
Brenna Walraven, Head of Property Operations, USAA Real Estate

Getting approval for energy efficiency measures can sometimes be the most challenging aspect of the project. Join Better Buildings Challenge partners USAA Real Estate, University of California at Irvine, and Kohl's as they share their best practices for communicating the value of building energy efficiency projects and working with financial decision-makers to make those projects happen.

Register at : https://www4.gotomeeting.com/register/712622719

Coming in November: "Fight Amongst Yourselves: Intra-organization Energy Efficiency Competitions"

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ENERGY | Energy Efficiency &
Renewable Energy

Additional Questions? Feel Free to Contact Us

Today's Presenters	Nick Stolatis TIAA-CREF nstolati@tiaa-cref.org Bob Holesko HEI Hotels & Resorts bholesko@heihotels.com	Walt Brockway Alcoa Walter.Brockway@alcoa.com
DOE Program Leads	Holly Carr DOE, Better Buildings Challenge Holly.Carr@EE.Doe.Gov	Kristen Taddonio DOE, Better Buildings Alliance Kristen.Taddonio@EE.Doe.Gov
Program Support	Andrew Schulte ICF International andrew.schulte@icfi.com	Kate George ICF International katherine.george@icfi.com

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